

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2008

# Auditing Procedures Report

Instructions and MuniCodes

\*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* DRYDEN	County* LAPEER	Type* TOWNSHIP	MuniCode* 44-1-070
Opinion Date-Use Calendar* 9-26-08	Audit Submitted-Use Calendar* 10-27-08	Fiscal Year End Month* 06	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies?
<input type="checkbox"/> ?	19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> ? \$ 713,800.43
General Fund Expenditure:	<input type="checkbox"/> ? \$ 609,578.91
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> ? \$ 869,768.84
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/> ? \$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* MARK	Last Name* CAMPBELL	Ten Digit License Number* 1101007803		
CPA Street Address* 512 N LINCOLN, STE 100	City* BAY CITY	State* MI	Zip Code* 48708	Telephone* +1 (989) 894-1040
CPA Firm Name* CAMPBELL, KUSTERER	Unit's Street Address* 4849 DRYDEN ROAD	Unit's City* DRYDEN	Unit's Zip* 48428	

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-5
Basic Financial Statements:	
Government-wide Financial Statements:	
Government-wide Statement of Net Assets	6
Government-wide Statement of Activities	7
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	8
Reconciliation of Balance Sheet of Governmental Fund to the Statement of Net Assets	9
Statement of Revenues, Expenditures, and Changes in Fund Balances	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities	11
Notes to Financial Statements	12-17
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	18
Budgetary Comparison Schedule – Fire Fund	19
Budgetary Comparison Schedule – Police Fund	20
Budgetary Comparison Schedule – Library Fund	21
Other Supporting Information:	
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	22
General Fund Expenditures by Detailed Account	23-24
Fire Fund Expenditures by Detailed Account	25
Police Fund Expenditures by Detailed Account	26
Library Fund Expenditures by Detailed Account	27

# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100  
P.O. BOX 686  
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494

## INDEPENDENT AUDITOR'S REPORT

September 26, 2008

To the Township Board  
Township of Dryden  
Lapeer County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Dryden, Lapeer County, Michigan as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Dryden's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Dryden, Lapeer County, Michigan as of June 30, 2008, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2008

The Management's Discussion and Analysis report of the Township of Dryden covers the Township's financial performance during the year ended June 30, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net Assets at June 30, 2008, totaled \$4,695,717.40. Of this total, \$1,693,883.50 represents capital assets net of depreciation.

Overall revenues were \$1,824,869.38.

We did not incur any new debt during the year.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. These include the General Fund, Fire Fund, Police Fund, Library Fund, and Drug Enforcement Fund.

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

**CONDENSED FINANCIAL INFORMATION**  
For the year ended June 30, 2008

	<u>Total</u> Governmental Activities 2007	<u>Total</u> Governmental Activities 2008
Current Assets	3 199 092	3 321 218
Capital Assets	<u>1 222 173</u>	<u>1 693 884</u>
Total Assets	<u>4 421 265</u>	<u>5 015 102</u>
Current Liabilities	146 312	319 385
Non-current liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>146 312</u>	<u>319 385</u>
Net Assets:		
Invested in Capital Assets	1 222 173	1 693 884
Unrestricted	<u>3 052 780</u>	<u>3 001 833</u>
Total Net Assets	<u><u>4 274 953</u></u>	<u><u>4 695 717</u></u>

	<u>Total</u> Governmental Activities 2007	<u>Total</u> Governmental Activities 2008
Program Revenues:		
Fees and Charges for Services	63 096	64 357
Operating Grants and Contributions	79 591	200 688
General Revenues:		
Property Taxes	1 199 852	1 080 675
State Revenue Sharing	275 535	272 855
Penal Fines	25 201	24 288
Interest	145 499	125 537
Miscellaneous	<u>49 006</u>	<u>56 469</u>
Total Revenues	<u>1 837 780</u>	<u>1 824 869</u>
Program Expenses:		
Legislative	90 635	87 419
General Government	299 291	305 891
Public Safety	649 629	627 498
Public Works	191 801	203 471
Recreation and Culture	<u>184 260</u>	<u>179 826</u>
Total Expenses	<u>1 415 616</u>	<u>1 404 105</u>
Increase in Net Assets	422 164	420 764
Net Assets, July 1	<u>3 852 789</u>	<u>4 274 953</u>
Net Assets, June 30	<u><u>4 274 953</u></u>	<u><u>4 695 717</u></u>

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

**Governmental Fund Types** – These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

**General Fund:** This fund is established to account for resources devoted to financing the general services that the Township performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the Township are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

**Special Revenue Funds:** The Special Revenue Funds are used to account for the proceeds of specific revenue resources that are legally restricted to expenditures for specified purposes. These include the Fire Fund, Police Fund, Library Fund and Drug Enforcement Fund. Voters have approved millage rates for some of these funds to help carry out their operations.

**Fiduciary Fund Types** – These funds account for assets held by the Township as trustee or agent for individuals, private organization, and other units of government. These funds are as follows:

**The Current Tax Collection Fund and Agency Fund:** These funds are used to account for assets held as an agent or in trust for others.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Over the past year, the Township has contributed \$3.00 per person based on our population of 4,624 to help support the Lapeer County Ambulance Authority.

Dryden Township is continuing to make road improvements throughout the Township. The Township paid Lapeer County Road Commission \$202,595 for various road projects during the fiscal year ended June 30, 2008. The road projects include the installation of concrete curb and gutter at the intersection of Bordman and Rochester Roads, and also the addition of 23A road gravel to over a 1/3 of our local gravel roads.

In 2004, Dryden Township and Dryden Village jointly purchased property in the Village to be developed as a park. This past year the Township has contributed \$6,106 to the improvement of Dryden Memorial Park. The Downtown Development Authority has also contributed money to the project.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are highways and streets which incurred expenses of \$202,595.67, Fire protection, which incurred expenses of \$680,657.29, Police protection incurring expenses of \$401,091.42 and library incurred expenses of \$184,349.95. Fire protection, police protection and library are supported mainly by special millage that is voter approved.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

As of June 30, 2008, the Township had \$2,881,702.07 invested in capital assets, including land, buildings and equipment. In addition, the Township has invested significantly in roads within the Township. The roads are not reported in the Township's financial statements because of Michigan law, which makes these roads the property of the Lapeer County Road Commission (along with the responsibility to maintain them).

The Township of Dryden had no long-term debt activity during the fiscal year ended June 30, 2008.

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2008

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The continued support of the ambulance authority will continue to impact the Township's resources. The Township Board also plans to invest in property for future growth. Because of the state reductions that affect local services, the Township needs to continue to watch its budget very closely.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our citizens, taxpayers, customers and investor's with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office, 4849 Dryden Road, Dryden. Phone 810-796-2248.

DRYDEN TOWNSHIP BOARD

Tina M. Papineau, Supervisor  
Bonnie J. Rumley, Clerk  
Joyce S. Korson, Treasurer

Sally Haynes, Trustee  
Geary Priehs, Trustee



TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

June 30, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	2 423 199 72
Investments	725 530 69
Petty cash	300 00
Due from other units	<u>172 188 00</u>
Total Current Assets	<u>3 321 218 41</u>
NON-CURRENT ASSETS:	
Capital Assets	2 881 702 07
Less: Accumulated Depreciation	<u>(1 187 818 57)</u>
Total Non-current Assets	<u>1 693 883 50</u>
TOTAL ASSETS	<u><u>5 015 101 91</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>319 384 51</u>
Total Current Liabilities	<u>319 384 51</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	1 693 883 50
Unrestricted	<u>3 001 833 90</u>
Total Net Assets	<u>4 695 717 40</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>5 015 101 91</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended June 30, 2008

		Program Revenue		Governmental Activities
				Net (Expense)
				Revenue and
				Changes in
				Net Assets
				</

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

**BALANCE SHEET – GOVERNMENTAL FUNDS**  
June 30, 2008

	<u>General</u>	<u>Fire</u>	<u>Police</u>	<u>Library</u>
<b><u>Assets</u></b>				
Cash in bank	649 412 16	265 650 09	610 921 64	891 916 64
Investments	221 673 90	251 795 81	126 020 33	126 040 65
Petty cash	100 00	-	100 00	100 00
Due from other funds	2 332 70	-	-	-
Due from other units	-	172 188 00	-	-
	<u>-</u>	<u>172 188 00</u>	<u>-</u>	<u>-</u>
<b>Total Assets</b>	<b><u>873 518 76</u></b>	<b><u>689 633 90</u></b>	<b><u>737 041 97</u></b>	<b><u>1 018 057 29</u></b>
<b><u>Liabilities and Fund Equity</u></b>				
<b>Liabilities:</b>				
Accounts payable	3 749 92	313 667 04	1 967 55	-
<b>Total liabilities</b>	<b><u>3 749 92</u></b>	<b><u>313 667 04</u></b>	<b><u>1 967 55</u></b>	<b><u>-</u></b>
<b>Fund equity:</b>				
Fund balances:				
Unreserved:				
Undesignated	869 768 84	375 966 86	735 074 42	1 018 057 29
<b>Total fund equity</b>	<b><u>869 768 84</u></b>	<b><u>375 966 86</u></b>	<b><u>735 074 42</u></b>	<b><u>1 018 057 29</u></b>
<b>Total Liabilities and Fund Equity</b>	<b><u>873 518 76</u></b>	<b><u>689 633 90</u></b>	<b><u>737 041 97</u></b>	<b><u>1 018 057 29</u></b>

The accompanying notes are an integral part of these financial statements.

Other Funds (Drug Enforcement)	Total
2 966 49	2 420 867 02
-	725 530 69
-	300 00
-	2 332 70
-	172 188 00
<u>2 966 49</u>	<u>3 321 218 41</u>
-	319 384 51
-	319 384 51
2 966 49	3 001 833 90
2 966 49	3 001 833 90
<u>2 966 49</u>	<u>3 321 218 41</u>

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	3 001 833 90
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	2 881 702 07
Accumulated depreciation	<u>(1 187 818 57)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>4 695 717 40</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
June 30, 2008

	<u>General</u>	<u>Fire</u>	<u>Police</u>	<u>Library</u>
Revenues:				
Property taxes	315 525 55	223 762 52	456 230 17	85 156 62
Federal grants	-	200 688 00	-	-
State revenue sharing	266 886 48	-	2 647 15	3 321 20
Charges for services – PTAF	64 357 13	-	-	-
Penal fines	-	-	-	24 287 66
Interest	41 282 26	21 261 43	20 974 37	42 005 78
Miscellaneous	<u>25 749 01</u>	<u>1 680 53</u>	<u>23 099 31</u>	<u>5 440 78</u>
Total revenues	<u>713 800 43</u>	<u>447 392 48</u>	<u>502 951 00</u>	<u>160 212 04</u>
Expenditures:				
Legislative:				
Township Board	87 418 95	-	-	-
General government:				
Supervisor	49 336 04	-	-	-
Elections	5 107 60	-	-	-
Attorney	20 575 55	-	-	-
Assessor	36 739 96	-	-	-
Clerk	74 350 76	-	-	-
Board of Review	2 624 95	-	-	-
Treasurer	69 715 01	-	-	-
Building and grounds	29 733 93	-	-	-
Cemetery	4 872 00	-	-	-
Public safety:				
Police protection	-	-	373 407 46	-
Fire protection	-	153 055 70	-	-
Ambulance	13 872 00	-	-	-
Protective inspection	3 353 92	-	-	-
Planning Commission	7 465 29	-	-	-
Appeals Board	942 28	-	-	-
Public works:				
Highways and streets	202 595 67	-	-	-
Drains	875 00	-	-	-
Culture and recreation:				
Library	-	-	-	167 629 95
Capital outlay	<u>-</u>	<u>527 601 59</u>	<u>27 683 96</u>	<u>16 720 00</u>
Total expenditures	<u>609 578 91</u>	<u>680 657 29</u>	<u>401 091 42</u>	<u>184 349 95</u>
Excess (deficiency) of revenues over expenditures	104 221 52	(233 264 81)	101 859 58	(24 137 91)
Fund balances, July 1	<u>765 547 32</u>	<u>609 231 67</u>	<u>633 214 84</u>	<u>1 042 195 20</u>
Fund Balances, June 30	<u><u>869 768 84</u></u>	<u><u>375 966 86</u></u>	<u><u>735 074 42</u></u>	<u><u>1 018 057 29</u></u>

The accompanying notes are an integral part of these financial statements.

Other Funds (Drug Enforcement)	Total
-	1 080 674 86
-	200 688 00
-	272 854 83
-	64 357 13
-	24 287 66
13 43	125 537 27
<u>500 00</u>	<u>56 469 63</u>
<u>513 43</u>	<u>1 824 869 38</u>
-	87 418 95
-	49 336 04
-	5 107 60
-	20 575 55
-	36 739 96
-	74 350 76
-	2 624 95
-	69 715 01
-	29 733 93
-	4 872 00
138 25	373 545 71
-	153 055 70
-	13 872 00
-	3 353 92
-	7 465 29
-	942 28
-	202 595 67
-	875 00
-	167 629 95
-	<u>572 005 55</u>
<u>138 25</u>	<u>1 875 815 82</u>
375 18	(50 946 44)
<u>2 591 31</u>	<u>3 052 780 34</u>
<u>2 966 49</u>	<u>3 001 833 90</u>

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended June 30, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (50 946 44)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(100 294 85)
Capital Outlay	<u>572 005 55</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 420 764 26



TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Dryden, Lapeer County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Dryden. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Funds

The Current Tax Collection and the Agency Fund are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2007 tax roll millage rate was 4.6252 mills, and the taxable value was \$238,907,240.00.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	3-40 years
Furniture and equipment	3-40 years

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

**Note 3 – Deposits and Investments**

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>2 432 441 97</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	397 035 18
Uninsured and Uncollateralized	<u>2 252 046 60</u>
Total Deposits	<u>2 649 081 78</u>

The Township had the following investments at June 30, 2008:

Nonrisk-Categorized:

Financial Institution Pooled Funds	<u>725 530 69</u>
Total	<u>725 530 69</u>

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds and the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

**Note 3 – Deposits and Investments (continued)**

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

**Note 4 – Capital Assets**

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 7/1/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/08</u>
Land and improvements	109 077 04	11 600 00	-	120 677 04
Buildings and improvements	1 181 500 00	-	-	1 181 500 00
Equipment	<u>1 036 858 78</u>	<u>560 405 55</u>	<u>(17 739 30)</u>	<u>1 579 525 03</u>
Total	2 327 435 82	572 005 55	(17 739 30)	2 881 702 07
Accumulated Depreciation	<u>(1 105 263 02)</u>	<u>(100 294 85)</u>	<u>17 739 30</u>	<u>(1 187 818 57)</u>
Net Capital Assets	<u>1 222 172 80</u>	<u>471 710 70</u>	<u>-</u>	<u>1 693 883 50</u>

**Note 5 – Interfund Receivables and Payables**

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	2 301 62	Current Tax Collection	2 301 62
General	<u>31 08</u>	Agency	<u>31 08</u>
Total	<u>2 332 70</u>	Total	<u>2 332 70</u>

**Note 6 – Pension Plan**

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes an amount of each employee's annual salary to the plan. The net pension expense for the fiscal year ended June 30, 2008, was \$38,437.15.

**Note 7 – Deferred Compensation Plan**

The Township of Dryden offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan are held in trust, (a custodial account) as described in IRC Section 457 (g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the Township of Dryden for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Local Unit of Government's financial statements.

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

**Note 8 – Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 9 – Building Permits**

The Township of Dryden does not issue building permits. Building permits are issued by the County of Lapeer.

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
Year ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
<b>Revenues:</b>				
Property taxes	304 128 00	304 128 00	315 525 55	11 397 55
State revenue sharing	255 000 00	255 000 00	266 886 48	11 886 48
Charges for services – PTAF	58 000 00	58 000 00	64 357 13	6 357 13
Interest	34 337 00	34 337 00	41 282 26	6 945 26
Miscellaneous	19 200 00	19 200 00	25 749 01	6 549 01
<b>Total revenues</b>	<b>670 665 00</b>	<b>670 665 00</b>	<b>713 800 43</b>	<b>43 135 43</b>
<b>Expenditures:</b>				
Legislative:				
Township Board	124 620 00	119 120 00	87 418 95	(31 701 05)
General government:				
Supervisor	53 798 00	53 798 00	49 336 04	(4 461 96)
Elections	12 930 00	12 930 00	5 107 60	(7 822 40)
Attorney	30 000 00	30 000 00	20 575 55	(9 424 45)
Assessor	43 500 00	43 500 00	36 739 96	(6 760 04)
Clerk	79 080 00	79 080 00	74 350 76	(4 729 24)
Board of Review	3 260 00	3 260 00	2 624 95	(635 05)
Treasurer	74 780 00	74 780 00	69 715 01	(5 064 99)
Building and grounds	35 070 00	40 070 00	29 733 93	(10 336 07)
Cemetery	5 500 00	5 500 00	4 872 00	(628 00)
Public safety:				
Ambulance	14 000 00	14 000 00	13 872 00	(128 00)
Protective inspection	4 900 00	4 900 00	3 353 92	(1 546 08)
Planning Commission	20 010 00	20 010 00	7 465 29	(12 544 71)
Appeals Board	4 430 00	4 430 00	942 28	(3 487 72)
Public works:				
Highways and streets	197 187 00	202 687 00	202 595 67	(91 33)
Drains	500 00	875 00	875 00	-
<b>Total expenditures</b>	<b>703 565 00</b>	<b>708 940 00</b>	<b>609 578 91</b>	<b>(99 361 09)</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(32 900 00)</b>	<b>(38 275 00)</b>	<b>104 221 52</b>	<b>142 496 52</b>
<b>Fund balance, July 1</b>	<b>39 000 00</b>	<b>39 000 00</b>	<b>765 547 32</b>	<b>726 547 32</b>
<b>Fund Balance, June 30</b>	<b>6 100 00</b>	<b>725 00</b>	<b>869 768 84</b>	<b>869 043 84</b>

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND  
Year ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	215 454 00	215 454 00	223 762 52	8 308 52
Federal grant	-	200 688 00	200 688 00	-
Interest	7 500 00	7 500 00	21 261 43	13 761 43
Miscellaneous	<u>2 000 00</u>	<u>2 000 00</u>	<u>1 680 53</u>	<u>(319 47)</u>
Total revenues	<u>224 954 00</u>	<u>425 642 00</u>	<u>447 392 48</u>	<u>21 750 48</u>
Expenditures:				
Public safety:				
Fire protection	198 795 00	198 795 00	153 055 70	(45 739 30)
Capital outlay	<u>343 944 00</u>	<u>536 353 00</u>	<u>527 601 59</u>	<u>(8 751 41)</u>
Total expenditures	<u>542 739 00</u>	<u>735 148 00</u>	<u>680 657 29</u>	<u>(54 490 71)</u>
Excess (deficiency) of revenues over expenditures	(317 785 00)	(309 506 00)	(233 264 81)	76 241 19
Fund balance, July 1	<u>317 785 00</u>	<u>317 785 00</u>	<u>609 231 67</u>	<u>291 446 67</u>
Fund Balance, June 30	<u>-</u>	<u>8 279 00</u>	<u>375 966 86</u>	<u>367 687 86</u>



TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

**BUDGETARY COMPARISON SCHEDULE – POLICE FUND**  
Year ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	438 686 00	438 686 00	456 230 17	17 544 17
State revenue sharing	2 600 00	2 600 00	2 647 15	47 15
Interest	15 000 00	15 000 00	20 974 37	5 974 37
Miscellaneous	<u>11 500 00</u>	<u>11 500 00</u>	<u>23 099 31</u>	<u>11 599 31</u>
Total revenues	<u>467 786 00</u>	<u>467 786 00</u>	<u>502 951 00</u>	<u>35 165 00</u>
Expenditures:				
Public safety:				
Police protection	432 785 00	432 785 00	373 407 46	(59 377 54)
Capital outlay	<u>35 000 00</u>	<u>35 000 00</u>	<u>27 683 96</u>	<u>(7 316 04)</u>
Total expenditures	<u>467 785 00</u>	<u>467 785 00</u>	<u>401 091 42</u>	<u>(66 693 58)</u>
Excess (deficiency) of revenues over expenditures	1 00	1 00	101 859 58	101 858 58
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>633 214 84</u>	<u>633 214 84</u>
Fund Balance, June 30	<u><u>1 00</u></u>	<u><u>1 00</u></u>	<u><u>735 074 42</u></u>	<u><u>735 073 42</u></u>

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

BUDGETARY COMPARISON SCHEDULE – LIBRARY FUND  
Year ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	85 212 00	85 212 00	85 156 62	(55 38)
State revenue sharing	3 511 00	3 511 00	3 321 20	(189 80)
Penal fines	22 159 00	22 159 00	24 287 66	2 128 66
Interest	45 000 00	45 000 00	42 005 78	(2 994 22)
Miscellaneous	4 300 00	4 300 00	5 440 78	1 140 78
Total revenues	<u>160 182 00</u>	<u>160 182 00</u>	<u>160 212 04</u>	<u>30 04</u>
Expenditures:				
Culture and recreation:				
Library	271 669 00	271 669 00	167 629 95	(104 039 05)
Capital outlay	<u>39 831 00</u>	<u>39 831 00</u>	<u>16 720 00</u>	<u>(23 111 00)</u>
Total expenditures	<u>311 500 00</u>	<u>311 500 00</u>	<u>184 349 95</u>	<u>(127 150 05)</u>
Excess (deficiency) of revenues over expenditures	(151 318 00)	(151 318 00)	(24 137 91)	127 180 09
Fund balance, July 1	<u>151 318 00</u>	<u>151 318 00</u>	<u>1 042 195 70</u>	<u>890 877 20</u>
Fund Balance, June 30	<u>-</u>	<u>-</u>	<u>1 018 057 29</u>	<u>1 018 057 29</u>

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS  
Year ended June 30, 2008

	<u>Balance 7/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/08</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>4 506 69</u>	<u>5 429 855 77</u>	<u>5 432 060 84</u>	<u>2 301 62</u>
<u>Liabilities</u>				
Due to other funds	4 506 69	1 050 717 78	1 052 922 85	2 301 62
Due to others	<u>-</u>	<u>4 379 137 99</u>	<u>4 379 137 99</u>	<u>-</u>
Total Liabilities	<u>4 506 69</u>	<u>5 429 855 77</u>	<u>5 432 060 84</u>	<u>2 301 62</u>
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank and Investments	<u>7 678 34</u>	<u>23 215 21</u>	<u>21 620 22</u>	<u>9 273 33</u>
<u>Liabilities</u>				
Deposits payable	7 368 25	18 846 51	16 972 51	9 242 25
Due to other funds	<u>310 09</u>	<u>4 368 70</u>	<u>4 647 71</u>	<u>31 08</u>
Total Liabilities	<u>7 678 34</u>	<u>23 215 21</u>	<u>21 620 22</u>	<u>9 273 33</u>
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank and Investments	<u>12 185 03</u>	<u>5 453 070 98</u>	<u>5 453 681 06</u>	<u>11 574 95</u>
<u>Liabilities</u>				
Deposits payable	7 368 25	18 846 51	16 972 51	9 242 25
Due to other funds	4 816 78	1 055 086 48	1 057 570 56	2 332 70
Due to others	<u>-</u>	<u>4 379 137 99</u>	<u>4 379 137 99</u>	<u>-</u>
Total Liabilities	<u>12 185 03</u>	<u>5 453 070 98</u>	<u>5 453 681 06</u>	<u>11 574 95</u>

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended June 30, 2008

Township Board:	
Salaries	14 660 68
Payroll taxes	385 70
Fringe benefits	4 926 23
Office supplies	4 490 39
Cleanup	3 293 00
Recycle	1 500 00
Audit	5 200 00
Memberships and dues	5 627 29
Telephone	3 452 45
Printing and publishing	1 872 64
Insurance	32 074 11
Miscellaneous	9 936 46
	<u>87 418 95</u>
Supervisor:	
Salary	31 296 95
Payroll taxes	2 814 56
Fringe benefits	8 290 91
Insurance	5 542 68
Miscellaneous	1 390 94
	<u>49 336 04</u>
Elections:	
Wages	3 375 16
Payroll taxes	70 82
Office supplies	1 136 47
Miscellaneous	525 15
	<u>5 107 60</u>
Attorney	<u>20 575 55</u>
Assessor:	
Office supplies	2 499 96
Contracted services	34 240 00
	<u>36 739 96</u>
Clerk:	
Salary	37 865 04
Salary – deputy	13 266 52
Payroll taxes	4 404 01
Fringe benefits	9 528 81
Insurance	6 437 05
Education	2 562 10
Miscellaneous	287 23
	<u>74 350 76</u>
Board of Review:	
Wages	2 259 78
Payroll taxes	38 39
Fringe benefits	81 36
Miscellaneous	245 42
	<u>2 624 95</u>

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended June 30, 2008

Treasurer:	
Salary	32 829 96
Salary – deputy	11 298 36
Payroll taxes	3 802 76
Insurance	5 581 10
Fringe benefits	8 257 52
Office supplies	4 599 41
Travel	536 26
Miscellaneous	2 809 64
	<u>69 715 01</u>
Building and grounds:	
Wages	3 696 00
Payroll taxes	182 12
Fringe benefits	323 39
Contracted services	10 746 68
Utilities	6 387 47
Maintenance	2 291 72
Miscellaneous	6 106 55
	<u>29 733 93</u>
Cemetery	<u>4 872 00</u>
Ambulance	<u>13 872 00</u>
Protective Inspection	<u>3 353 92</u>
Planning Commission:	
Wages	2 604 18
Payroll taxes	64 28
Fringe benefits	71 28
Contracted services	3 785 00
Miscellaneous	940 55
	<u>7 465 29</u>
Appeals Board:	
Wages	896 64
Payroll taxes	23 61
Miscellaneous	22 03
	<u>942 28</u>
Highways and streets:	
Repairs and maintenance	<u>202 595 67</u>
Drains	<u>875 00</u>
Total Expenditures	<u><u>609 578 91</u></u>

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

FIRE FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended June 30, 2008

Fire protection:	
Salaries and wages	79 109 02
Payroll taxes	2 926 94
Fringe benefits	2 335 76
Supplies	13 152 13
Repairs and maintenance	13 096 29
Memberships and dues	180 00
Physicals	416 38
Travel	2 195 02
Insurance	20 729 31
Utilities	10 375 61
Training	5 544 00
Miscellaneous	2 995 24
Capital outlay	<u>527 601 59</u>
Total Expenditures	<u><u>680 657 29</u></u>

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

POLICE FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended June 30, 2008

Police protection:	
Salaries and wages	232 453 79
Fringe benefits	11 080 02
Payroll taxes	15 029 97
Supplies	36 446 82
Repairs and maintenance	12 770 78
Telephone	2 325 09
Utilities	3 196 00
Insurance	53 759 81
Miscellaneous	6 345 18
Capital outlay	<u>27 683 96</u>
Total Expenditures	<u><u>401 091 42</u></u>

TOWNSHIP OF DRYDEN  
Lapeer County, Michigan

LIBRARY FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended June 30, 2008

Library:

Salaries and wages	80 082 09
Payroll taxes	5 964 99
Supplies	12 411 75
Repairs and maintenance	2 091 17
Memberships and dues	8 874 60
Contracted services	2 862 45
Travel	1 626 86
Insurance	4 711 56
Utilities	10 235 15
Audio visual	9 569 65
Books and periodicals	27 092 61
Miscellaneous	2 107 07
Capital outlay	<u>16 720 00</u>
Total Expenditures	<u><u>184 349 95</u></u>



# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100  
P.O. BOX 686  
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494

## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

September 26, 2008

To the Township Board  
Township of Dryden  
Lapeer County, Michigan

We have audited the financial statements of the Township of Dryden for the year ended June 30, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Dryden in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Dryden  
Lapeer County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

The Township's system of internal control is affected by the size of staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated June 30, 2008.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants